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**Merchandising millwork, pp. 19-23**

National Home Center News®

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# Wholesalers post strong fall sales season

NATIONAL REPORT—It's been a long time coming, but the light at the end of the tunnel is finally visible to hardware, lumber and building materials wholesalers. Many of them are experiencing one of the strongest fall seasons in recent memory.

- The $10 million Wimsatt Bros., Louisville, Ky., had the second most successful September in its 36-year history;
- For only the second time this year, monthly sales at $4 million Lumberyard Supply, St. Louis, exceeded 1981 totals in September;
- Palmer G. Lewis, the $115 million program wholesaler in Auburn, Wash., saw its net income for the second quarter, ending July 25, rise 27% to $159,000, with company president Dick Lundgren projecting "healthy income increases" for the whole of 1982;
- The $100 million, 1,000-member Our Own hardware wholesale co-op saw its sales pick up after Aug. 1 when, according to vice president James Weyrems, "every one of our basic product areas has begun to show some strength, and the demand is coming directly from the consumer."

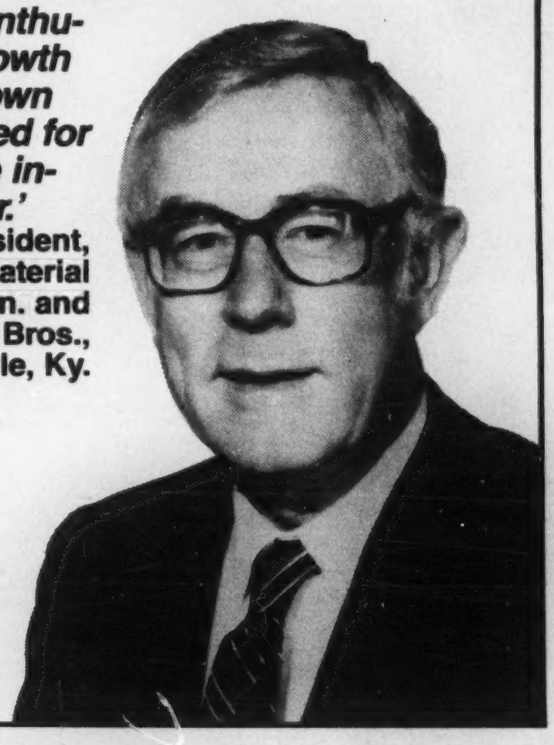
Like wholesalers at last month's National Hardware Convention in Washington, D.C., those attending the 31st annual National Building Material Distributors Assn.'s Fall Convention in Los Angeles this week have more encouraging news to talk about than the high interest rates, low retailer and consumer buying, and disastrous sales and earnings declines they have battled over the last two and a half years.

The theme at the NBMDA's convention this year is "Plotting a Course for Profits," which for the first time in a long while seems to be more than wishful thinking.

"The first quarter of 1982 was a disaster, and many of our

*(Continued on page 43)*

***'I have measured enthusiasm for sales growth in 1983, and my own company is budgeted for a 5%-10% volume increase next year.'***
**J. Hays Wimsatt, president, National Building Material Distributors Assn. and Wimsatt Bros., Louisville, Ky.**



## Chains prep Yule promos to eliminate 'dead months'

**NHCN Roundup**

Trim-a-tree, power tools and, surprisingly, lumber and building materials will be highlighted in the Christmas promotional campaigns of several home centers this year.

While the holiday season has been referred to in the past as "two dead months of no sales," an increasing number of companies are employing elaborate in-store displays and supporting them with strong ROP and tabloid advertising to plant the notion in the consumer's mind that home centers are places to shop for Christmas gifts.

Chains like Busy Beaver and independents All-American Home Center and Somerville Lumber again plan to aggressively pursue Yuletide business by promoting such fare as appliances, tools, artificial trees and decorations. Somerville, along with the Midwest Hal's and Courtesy Home Center chains, also plans to promote the "fix up your home before the holidays" theme, with special remodeling projects being emphasized.

"Actually fix up your home during Christmas is the implicit message of our ads," said Zangwill Munies, Courtesy vice president. "And building material sales have shown surprising strength in past holiday peri-

*(Continued on page 47)*

***Should improve lumber freight service***

## I.C.C. approves Western rail merger

**By Kenneth Schept**
*NHCN senior editor*

WASHINGTON—The Interstate Commerce Commission on Oct. 20 approved the merger of three Western railroads into the nation's third longest line, stretching 23,000 miles from the Pacific to the Mississippi.

The consolidation of the Union Pacific, Missouri Pacific and Western Pacific will result in the nation's third largest lumber transporting railroad. Its impact, however, on lumber freight rates, service and equipment availability is still being debated.

While Pacific Rail Systems, the new corporation, could operate as one entity 30 days after the I.C.C. approval, court challenges are expected to at least delay the merger. In two separate actions the Southern Pacific is charging that the giant hookup will destroy rail competition in the West.

J. R. Davis, Union Pacific vice president of operations, denied that charge, noting that alternate rail carriers as well as trucking concerns would still be operating. The merger, he argued, would bring greater efficiency to, in fact, benefit customers.

"What brings freight rates up are costs," Davis said. "Through merged systems we will have better control on operating costs. In addition customers will have better service."

To transportation experts in the lumber industry, the advantages to the new rail giant seem much more assured, however, than potential benefits to its customers.

Currently, shipping material over the track owned by the three separate lines incurs terminal costs when the freight is shifted from one company's operation to another's.

That process inflates rates, according to Jim Manning, director of transportation services for the Western Wood Products Assn. because, "if two or more rails have to get together each wants a chunk of the pie and the pie gets larger."

Joining separate railroads into one line eliminates terminal costs but who would enjoy the savings is not as clear.

"I doubt if the savings would be passed on to the ultimate consumer, unless the ultimate consumer puts his foot down," said Gene Harris, traffic manager for J. C. Harper, Birmingham, the transportation consultant for the Southern Forest Product Assn.

*(Continued on page 48)*

## Kerosene heater industry blasts negative publicity on safety

**By John Caulfield**
*NHCN associate editor*

NEW YORK—When actor William Shatner of "Star Trek" fame switches on his portable kerosene heater in a widely televised commercial, the people enjoying the warmth of his luxurious living room never question the safety of kerosene heater products.

But the October issue of *Consumer Reports* has, and the negative publicity has erupted into a ball of fire between the nation's kerosene heater suppliers and Consumers Union, the magazine's publisher.

The largest marketer of the heaters in the country, Kero-Sun, Kent, Conn., has filed a $41 million libel suit against Consumers Union in Bridgeport, Conn., U.S. District Court, claiming that the "offending article" in the issue contained more than "80 false and libelous statements pertaining to portable kerosene heaters in general, and to those marketed by Kero-Sun in particular."

Kero-Sun has also sought an injunction to restrain the republication of the story, as in *Consumer Reports'* year-end roundup.

The Nashville-based National Kerosene Heater Assn., has also threatened to sue, but at presstime no action had been filed, and executives from NKHA, Kero-Sun and Consumers Union were huddling in the publisher's Mount Vernon, N.Y., offices to try and arbitrate their differences.

*(Continued on page 48)*

*An article in the October* Consumer Reports, *calling kerosene heaters "hazardous" for residential use, has ignited a bitter controversy among its publisher, Consumers Union, the National Kerosene Heater Assn. and Kero-Sun, the largest marketer of the product in the United States.*

## NEWSBREAKS

**ALL AMERICAN TO REMODEL.** All American, the 140,000-sq.-ft., Downey, Calif., home center, plans to convert 3,600 sq. ft. of warehouse into retail space by March 1. The remodeling, which will begin soon after Christmas, will include a customer traffic loop, 3,000 sq. ft. of kitchen and bath vignettes and the splitting of hardware and tools into two separate departments. Electrical, plumbing and decor departments will also be expanded.

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# DIY Industry update

## Menard now ready for Milwaukee

MILWAUKEE—After an aborted attempt to land three stores here last year (*NHCN*, Dec. 15, 1980), Menard is now on the threshold of opening its first unit in this market.

Industry sources confirmed that the secretive but powerful $200 million company is building a store on the north side of the city. The unit was planned for a fall opening, but more likely, it will debut around the first of the year.

It is expected Menard will add two more stores in the market possibly including one on the south side and another on the west side.

Sources indicated that the first Milwaukee Menard will be 45,000 sq. ft., almost half the size of the usual Menard unit.

"It could be that they realize real estate for an 80,000-sq.-ft. store is hard to come by in Milwaukee," a source said. "Smaller lots are easier to get and they may be developing a smaller prototype for the situation."

It is not that the current building site cannot accommodate an 80,000-sq.-ft. unit. Sources reported that the store is going up on a 10-acre piece of property.

Menard goes into an area that is rapidly developing as a home center market. Two Hal's stores debuted there earlier this year (*NHCN*, June 7) and chain officials foresee at least two more Hal's. Grossman's as well as Kelleys Sawmill and a slew of other independents are also doing business in the Milwaukee market.

Menard is not backing down from its competition, however. It is building across from a Grossman's outlet, a situation it apparently has grown to like. Menard recently located an outlet in Oshkosh, Wis., across from a Grossman's.

It is believed that Menard postponed its entrance into Milwaukee while it got its financial situation in order.

## *Ace opens company-owned store*

URBANDALE, Iowa—Co-op wholesaler Ace Hardware, trying to get a foothold in the Des Moines market, opened its first-ever company-owned store here last month.

Ace established the 15,000-sq.-ft. unit through its AHC Store Development subsidiary and plans to sell the store when a suitable franchisee is found, officials said.

"We did a survey of the area but could not set up the store through normal channels," said director of corporate communications John J. Cameron. "We decided Urbandale was a good location for our first company store."

Ace chairman and president Arthur H. Krausman noted that the Des Moines area "has a tremendous potential for us. We are impressed with the community and look forward to serving its residents both through this store and hopefully through additional stores."

The new unit carries no lumber and building materials but features a large housewares department as well as other hard lines, according to officials, who stated that Ace's intention is not to begin development of company-owned outlets.

The store celebrated its grand opening with door prizes for coupon-carrying customers.

## *Handyman to close Chi area unit*

PARK FOREST, Ill.—Handyman, the San Diego-based chain, recently announced it will close its Park Forest, Ill., unit in early December. The 45,000-sq.-ft. store and 5-acre site are up for sale, but chances are home center operators will steer clear of the location.

Henry Haimsohn, vice president of sales at Handyman, explained that the chain is not pulling out of Chicago per se, just the Park Forest location. "The store was simply not generating enough sales," said Haimsohn, who added that the soft sales were historic, not a phenomenon of the past year.

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Vol. 8, No. 23 November 8, 1982

# Ole's sponsors a marathon

PASADENA, Calif.—Ole's Home Centers is sponsoring a marathon race on Nov. 21 that is expected to attract some 4,000 runners who will cross the finish line inside the Rose Bowl.

Robert G. Mendes, vp-sales and promotion for the 33-unit chain said the main reason for sponsoring the race "is exposure. We'll have our names on T-shirts, the finish line, banners and everything else."

Ole's is also stressing the "community involvement" aspect of the event in print advertising and in-store signs, Mendes added. To draw customers into the stores, applications are available only at Ole's units and a handful of stores that sell running shoes.

Television will feature trailers at the tag-end of Ole's regular commercials noting the upcoming race. Mendes said the chain will have a "Marathon Sale—possibly the night before."

Inside the famed stadium on race day, a health and fitness expo featuring booths containing apparel and running paraphernalia is expected to draw additional participants.

While not revealing Ole's race-related expenses, Mendes said the company expects "to get it back and still have plenty of money" to give to the Pasadena branch of the YMCA, which is slated "to get whatever is left over beyond our expenses."

Mendes said several world class runners have been invited to participate, raising the possibility that the event will be given national television coverage. The race has been officially certified, meaning that finishers who run the 26.2-mile marathon within a certain time may qualify to run in the Boston Marathon. Shorter races covering distances from 3.1 miles to 13.1 miles are also scheduled.

"We see this as becoming a major marathon in two years," said Mendes.

# Z&L Lumber eyes 20% sales rise from better displays, more sku's

PITTSBURGH—Z&L Lumber is turning to the remodeling market and to products with higher, stable gross margins to offset the effects of the economy and weak results from core lumber and building material products, according to Morris J. Brookner, president of the six-unit chain.

Z&L officials are investing $25,000-$30,000 per store to improve displays, and to increase sku counts by 10%-25% and volume by 20%-25% in the beefed up categories, Brookner said.

Departments getting primary attention are kitchen and bath and plumbing and electricals, he added.

"We're modernizing such areas as kitchen and bath displays to try to stimulate sales in those categories and improve gross margins because lumber and building material grosses are down so low," he explained.

While commodity items are carrying 15%-20% gross margins, Brookner related, other products are offering more attractive 25%-35% margins.

The $22-million, 85%-DIY chain has also upped its advertising budget 25% in newspapers, tabs, direct mail and radio, which accounts for 5%-10% of the total, Brookner commented.

Specifically, the stores are getting a more polished look from carpeting on the sales floor in various departments and floor tiles on more heavily trafficked areas, the chain president explained.

The company's units will

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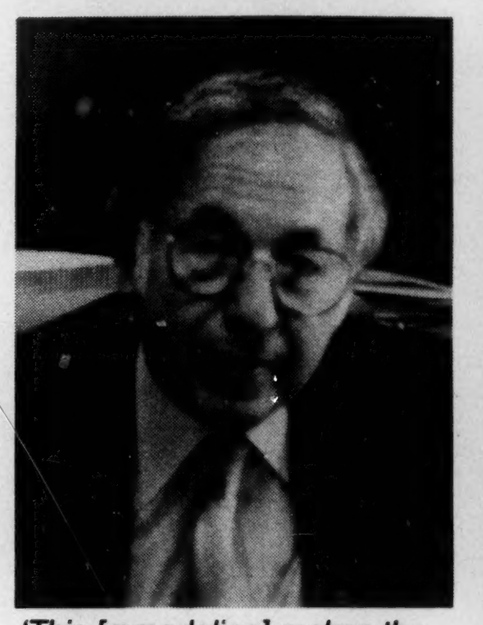


*'This [remodeling] makes the store more appealing to the woman.'*
Morris Brookner, president, Z & L Lumber, Pittsburgh

# *New construction up 14% in Sept.*

NATIONAL REPORT—Increased new home construction, declining interest rates and growing existing home affordability have improved business prospects for building supply retailers recently.

Total new housing construction rebounded 14% in October from the month before to 1.146 million units annually, seasonally adjusted. In October, single-family units were up 6.6% to 663,000 units, seasonally adjusted.

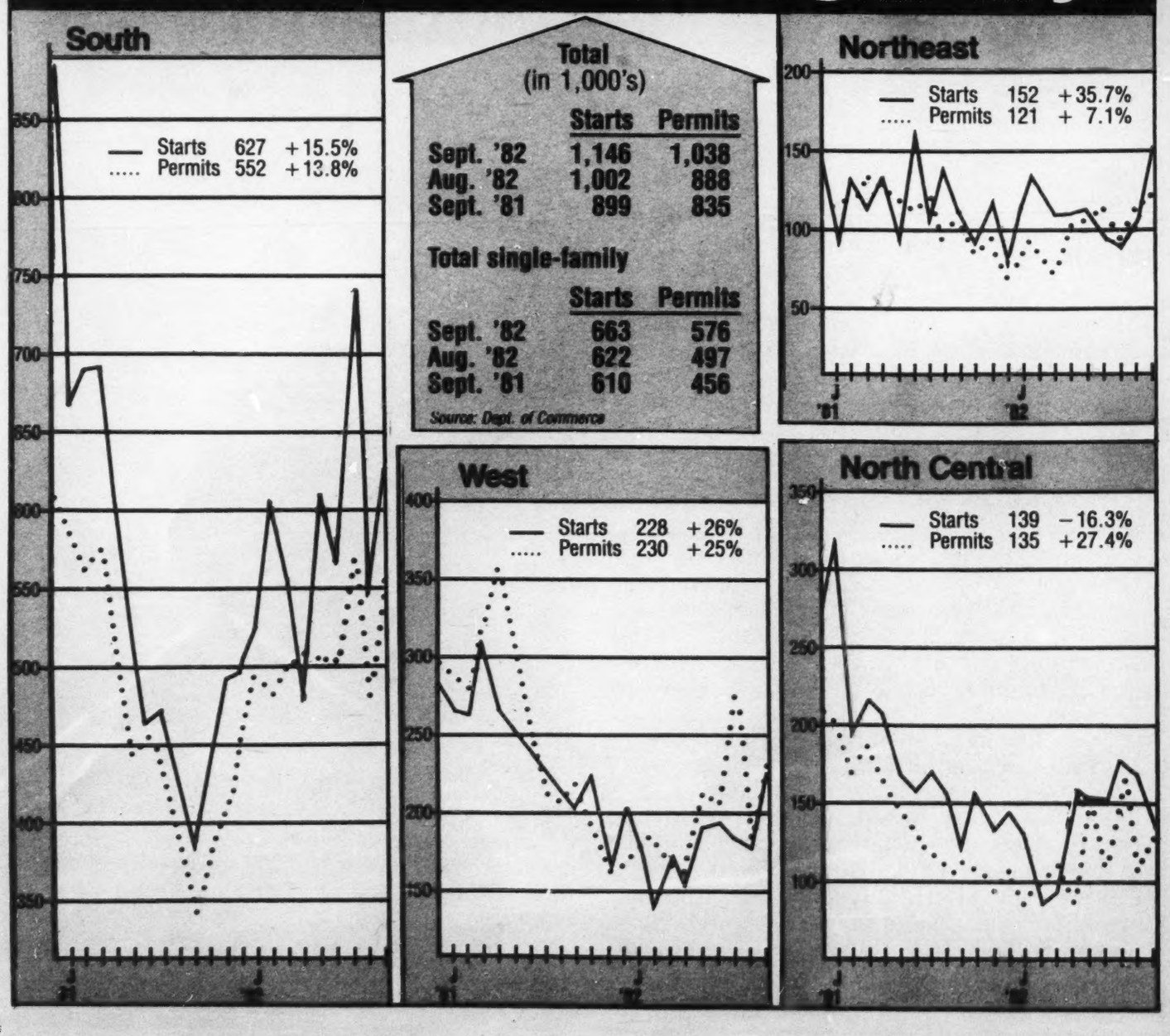
The average effective commitment rate on a conventional 25-year mortgage with a 75% down payment dropped to 16.23% in early September, the lowest level since May 1981, according to the Federal Home Loan Bank Board.

Monthly principal and interest payments on an average-priced existing, single-family home have declined $26 since July, according to the National Assn. of Realtors.

"As the economy recovers, in other words, it is almost a 'heads you win, tails you win' situation with the repair and remodeling business," wrote Barbara Alexander, vice president, Smith Barney Harris Upham, in the company's construction quarterly.

*(Continued on page 4)*

## *September home-building activity*



# Sigoloff's salary

(Continued from page 3)

consultant hired by the board to "make sure that everybody was being paid fair market value," the spokesman said. "The consultant found that the senior management was not [being paid far market value] and so their salaries were adjusted."

Both Sigoloff and Chanin are part of the five-member board of directors, but only the three "outside" directors not employed by Wickes—but handpicked by Sigoloff—actually approved the pay raises.

The outside directors are Rita E. Hauser, senior partner in the New York law firm of Stroock, Stroock & Lavan; Ellsworth L. Johnson, chairman and ceo of First American Care Facilities, and Preston Silbaugh, chairman of Beverly Hills Savings and Loan Association. They are paid $15,000 a year plus an $800 per meeting fee.

"It's not like working for A.T.&T.—there you have a pension after a certain number of years," Silbaugh told *NHCN*. "Here you have a situation where anyone coming aboard Wickes has to wonder about his own future. There are no guarantees and no job security—it's on a month-to-month basis. In effect, in order to attract competent personnel, one has to pay them."

Silbaugh, who is chairman of the compensation committee, added that despite the pay raises, the five Wickes executives are still being paid salaries that are "considerably below the industry average."

Under Sigoloff's original employment agreement dated in March, he was to receive a base salary of $350,000 a year plus cost-of-living adjustments. That compared with former chairman and ceo E. L. McNeely's total renumeration of $807,450. However, Sigoloff was also given an initial $400,000 bonus described in the 10-K as "compensation for benefits he relinquished" after leaving Kaufman & Broad, where he was vice chairman.

Sigoloff's employment contract also provides that Wickes will pay premiums on two $1 million life insurance policies, and he has options to purchase stock at an exercise price of $4.38. Wickes stock is now selling over-the-counter for about $2.50 a share.

"This has to be put in perspective," said a Wickes official. "The only way this company is going to turn around is with proper management and direction. We're asking enormous sacrifices on the part of our people. . . . You at least expect them to be compensated at fair market value. It's only fair."

## Sigoloff donates $5,000 to gubernatorial campaign

**SANTA MONICA, Calif.—Sanford Sigoloff, recently granted a $90,000 pay raise by Wickes' board of directors, didn't waste any time deciding how to spend some of it.**

**Sigoloff says he has given more than $5,000 to the gubernatorial campaign of Los Angeles Mayor Tom Bradley, the Democratic nominee vying against Republican challenger George Deukmejian in the Nov. 2 California governorship contest.**

**Sigoloff was named co-chairman of Republicans for Bradley along with fellow retailing executive Philip Hawley, president and ceo of Carter Hawley Hale. Both businessmen told a press conference shortly before the election that this was the first time they had ever supported a Democrat for public office. Hawley said he hadn't yet contributed any money to the Bradley campaign.**

# Day at the race track

(Continued from page 3)

cost of over $100,000 each, after it finishes converting units in Akron and Parma, Ohio, which are both more than 60,000 sq. ft.

"We think it's the right way," explained Don Blaine, director of store planning. "We plan to do more next year. The only question was whether we would have high or low fixtures in the center of the store. We're now convinced we need high fixtures [84 in.]. Our merchandise just looks better on high fixtures."

While it is still early for the chain to know the results of its race track setup, Blaine indicated that the tool department, located in the center of the loop has done "fantastically," but it is also doing better in other nonrace track outlets.

Even if Forest City does not emerge with the hoped-for 10% sales increase and four turns a year, Blaine said, with the race track "We get a better overall margin mix in the front of the store."

Kindt introduced its first race track format a year ago in a 20,000-sq.-ft. unit in Sheboygan, Wis., after a fire had gutted the original store, according to advertising manager Dave Boyles. A few months later, the 15,000-sq.-ft. Jackson, Wis., outlet received the same look.

The key feature is a service counter in the rear of the store.

"When it was in the front of the store," Boyles explained, "The service counter did not allow people to get through to the rest of the store. We've sold service hard, but we feel people will find the service counter anyway. It's tough not to get dragged into the loop and people are not cutting through aisles to avoid it either."

The center of the loop includes Kindt's 5-ft. fixtures, diagonally arranged with mass displays of products in the triangles formed by the diagonals.

Despite no major differences in store performance, however, Kindt officials are happy with their race tracks and are proceeding with plans to use the loop in Menasha.

"Residential building is down and that has reduced the average sale," Robert Drumm, vice president, related, "but it doesn't matter what format you have. It wouldn't have made a difference in the last two years. The difference would probably show up in a better economy. We're satisfied with the exposure the race track gives our products and we aren't giving up space for it."

Randall H. Woods, president of Hugh M. Woods, envisions his race track formats in Las Vegas as forming an inverted "U" from the checkouts with vertical aisles in the middle and horizontal aisles on the sides of the "U."

Lower, 5-ft. gondolas may be located in the middle of the stores, he noted.

And the president of Kentucky-based Levy's noted, "Our 55,000-sq.-ft. store on Dixie Highway [in southwest Louisville] would be perfect for a loop. We've sent the blue prints of the store to a specialist to get a rough sketch for a loop."

Hal's vice president Tom Gritz stopped short of calling his chain's two 30,000-sq.-ft. Milwaukee area outlets race tracks, but they are close to fitting the mold. Despite success by Lowe's and Kindt with race tracks in smaller outlets, Gritz feels large stores are prime candidates for the concept.

"To be genuine race tracks, we'd need 50,000-sq.-ft. stores," Gritz said. "We could have hit on it accidentally. We have 12-ft. aisles for lumber handling which form a sort of loop."

# Housing

(Continued from page 2)

Increased housing turnover would mean more repair and remodeling, but even a slow recovery with more Americans staying put would prompt homeowners to sink money into their houses, the report continues.

The recovery may be gradual, according to Alexander, who sees no magical mortgage rate to spur a home buying explosion. In fact mortgage rates may have to dip to the 10% to 11% range, she feels, before the majority of trade-up candidates would be interested in moving.

Most of them purchased homes during the 1970's at conventional mortgages below 9%. "Historic rules of thumb would suggest that a 200 basis point increase is about the maximum face rate trade-up consumers have accepted," wrote Alexander—hence, the 10% to 11% range.

Still, just looking at the September housing activity numbers there seems to be cause for optimism, with total permits up 16.9% to 1.038 million seasonally adjusted and single-family, seasonally adjusted permits at 576,000, up 15.9%.

Indeed, with September, every month since May, except for a dip in June, has recorded total starts of more than a million.

# Z&L Lumber

(Continued from page 2)

show more vignettes in kitchen and bath. The selection in kitchens will feature new light and medium oak looks and more kitchen fans and range hoods, Brookner noted.

"This makes the store more appealing to the woman," he said. "She is able to visualize what the finished product will look like."

In electricals, the changes will include higher-priced lighting fixtures, especially for the dining room and kitchen, to tie in with kitchens, Brookner said.

In plumbing, the company is increasing its commitment to plastic because it's "simple for do-it-yourselfers," he noted. The sku expansion also includes the addition of such items as nonmetallic faucets, which are chrome finished plastic selling for 25%-35% less than metal.

"The consumer who is living in an apartment may be looking for a less expensive faucet," Brookner said.

Officials plan to have all the changes implemented at the six stores by the spring.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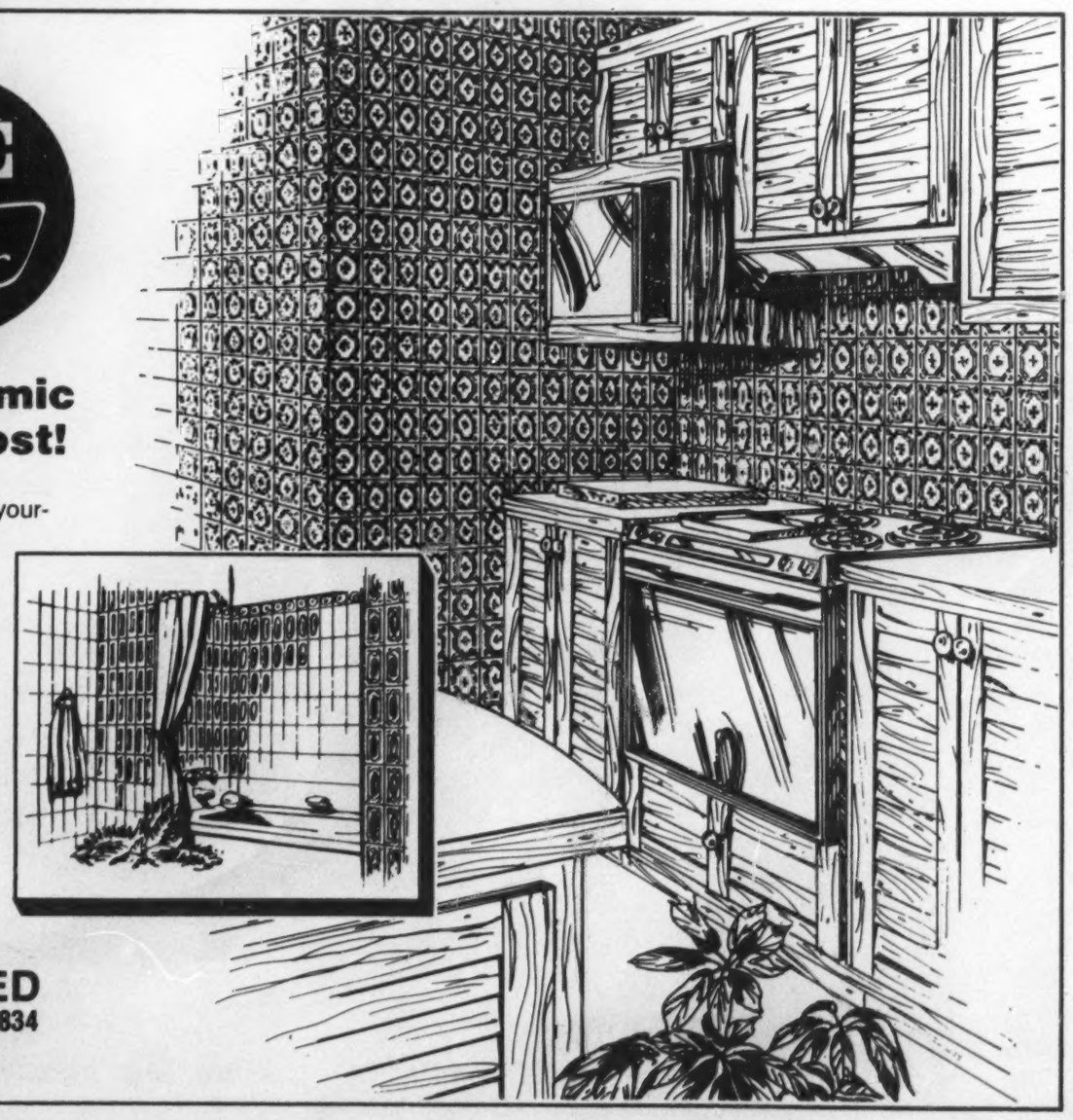

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